

110TH CONGRESS  
1ST SESSION

# H. R. 2261

To increase the diversity and independence of the United States energy supply by providing encouragement of energy sources from rural America, including biofuels and wind energy, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

MAY 10, 2007

Mr. LUCAS introduced the following bill; which was referred to the Committee on Agriculture, and in addition to the Committees on Ways and Means, Financial Services, and Energy and Commerce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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## A BILL

To increase the diversity and independence of the United States energy supply by providing encouragement of energy sources from rural America, including biofuels and wind energy, and for other purposes.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. SHORT TITLE.**

4       This Act may be cited as the “Rural America Energy  
5       Act of 2007”.

1 **SEC. 2. ADJUSTMENTS TO THE BIOENERGY PROGRAM.**

2 Section 9010 of the Farm Security and Rural Invest-  
3 ment Act of 2002 (7 U.S.C. 8108) is amended—

4 (1) in subsection (a)—

5 (A) in paragraph (1)—

6 (i) in subparagraph (A), by striking  
7 “and”;

8 (ii) in subparagraph (B), by striking  
9 the final period and inserting a semicolon;  
10 and

11 (iii) by adding at the end the fol-  
12 lowing new subparagraphs:

13 “(C) cellulosic cogeneration;

14 “(D) biomass gasification; and

15 “(E) hydrogen made from cellulosic com-  
16 modities for fuel cells.”;

17 (B) by redesignating paragraphs (3) and  
18 (4) as paragraphs (4) and (5), respectively;

19 (C) by inserting after paragraph (2) the  
20 following new paragraph:

21 “(3) CELLULOSIC COGENERATION.—The term  
22 ‘cellulosic cogeneration’ means combined heat and  
23 electrical power produced from cellulose, hemi-  
24 cellulose, and lignin found in plant cell walls.”; and

1 (D) in subparagraph (A) of paragraph (4),  
2 as redesignated by subparagraph (B), by strik-  
3 ing “corn,”; and  
4 (2) by striking subsection (f) and inserting the  
5 following:

6 “(f) FUNDING.—Of the funds of the Commodity  
7 Credit Corporation, the Secretary shall use to carry out  
8 this section \$25,000,000 for each of fiscal years 2008  
9 through 2012.”.

10 **SEC. 3. INCREASED FUNDING FOR THE RENEWABLE EN-**  
11 **ERGY PROGRAM AND ADJUSTING THE PRO-**  
12 **GRAM TO BENEFIT SMALLER PROJECTS.**

13 Section 9006 of the Farm Security and Rural Invest-  
14 ment Act of 2002 (7 U.S.C. 8106) is amended by striking  
15 subsection (f) and inserting the following new subsections:

16 “(f) SMALL PROJECTS.—The Secretary shall use not  
17 less than 15 percent of the funds available under this sec-  
18 tion to provide grants for projects that have a total cost  
19 \$50,000 or less.

20 “(g) FUNDING.—Of the funds of the Commodity  
21 Credit Corporation, the Secretary shall make available to  
22 carry out this section \$50,000,000 for each of fiscal years  
23 2008 through 2012.”.

1 **SEC. 4. 5-YEAR EXTENSION OF CREDIT FOR ELECTRICITY**  
 2 **PRODUCED FROM CERTAIN RENEWABLE RE-**  
 3 **SOURCES.**

4 Section 45(d) of the Internal Revenue Code of 1986  
 5 (relating to qualified facilities) is amended by striking  
 6 “2009” each place it appears and inserting “2014”.

7 **SEC. 5. DEDICATED ETHANOL PIPELINE FEASIBILITY STUD-**  
 8 **IES.**

9 (a) IN GENERAL.—The Secretary of Energy, in co-  
 10 ordination with the Secretary of Agriculture and the Sec-  
 11 retary of Transportation, shall spend up to \$1,000,000 to  
 12 fund feasibility studies for the construction of dedicated  
 13 ethanol pipelines.

14 (b) CONDUCT OF STUDIES.—

15 (1) IN GENERAL.—The Secretary of Energy  
 16 shall—

17 (A) through a competitive solicitation proc-  
 18 ess, select 1 or more firms having capabilities in  
 19 the planning, development, and construction of  
 20 dedicated ethanol pipelines to carry out the fea-  
 21 sibility studies described in subsection (a); or

22 (B) carry out the feasibility studies in con-  
 23 junction with such firms.

24 (2) TIMING.—

25 (A) IN GENERAL.—If the Secretary elects  
 26 to select 1 or more firms under paragraph

1           (1)(A), the Secretary shall award funding under  
2           this section not later than 120 days after the  
3           date of enactment of this Act.

4           (B) STUDIES.—As a condition of receiving  
5           funds under this section, a recipient of funding  
6           shall agree to submit to the Secretary a com-  
7           pleted feasibility study not later than 360 days  
8           after the date of enactment of this Act.

9           (c) STUDY FACTORS.—Feasibility studies funded  
10          under this section shall include consideration of—

11           (1) existing or potential barriers to dedicated  
12           ethanol pipelines, including technical, siting, financ-  
13           ing, and regulatory barriers;

14           (2) potential evolutionary pathways for the de-  
15           velopment of an ethanol pipeline transport system,  
16           such as starting with localized gathering networks as  
17           compared to major interstate ethanol pipelines to  
18           carry larger volumes from the Midwest to the East  
19           or West coast;

20           (3) market risk, including throughput risk, and  
21           ways of mitigating the risk;

22           (4) regulatory, financing, and siting options  
23           that would mitigate risk in these areas and help en-  
24           sure the construction of dedicated ethanol pipelines;

1           (5) financial incentives that may be necessary  
2           for the construction of dedicated ethanol pipelines,  
3           including the return on equity that sponsors of the  
4           first dedicated ethanol pipelines will require to invest  
5           in the pipelines;

6           (6) ethanol production of 20,000,000,000,  
7           30,000,000,000, and 40,000,000,000 gallons per  
8           year by 2020; and

9           (7) such other factors that the Secretary con-  
10          siders to be appropriate.

11          (d) CONFIDENTIALITY.—If a recipient of funding  
12          under this section requests confidential treatment for crit-  
13          ical energy infrastructure information or commercially-  
14          sensitive data contained in a feasibility study submitted  
15          by the recipient under subsection (b)(2)(B), the Secretary  
16          shall offer to enter into a confidentiality agreement with  
17          the recipient to maintain the confidentiality of the sub-  
18          mitted information.

19          (e) REVIEW; REPORT.—The Secretary of Energy  
20          shall—

21                (1) review the feasibility studies submitted  
22                under subsection (b)(2)(B) or carried out under sub-  
23                section (b)(1)(B); and

1           (2) not later than 15 months after the date of  
2       enactment of this Act, submit to Congress a report  
3       that includes—

4           (A) information about the potential bene-  
5       fits of constructing dedicated ethanol pipelines;  
6       and

7           (B) recommendations for legislation that  
8       could help provide for the construction of dedi-  
9       cated ethanol pipelines.

10       (f) FUNDING.—There are authorized to be appro-  
11      priated to the Secretary of Energy to carry out this section  
12      \$1,000,000 for fiscal year 2008, to remain available until  
13      expended.

14      **SEC. 6. CONSERVATION RESERVE PROGRAM ADJUSTMENTS**  
15                           **TO PROTECT THE MOST ENVIRONMENTALLY**  
16                           **SENSITIVE ACRES AND PROMOTE PRODUC-**  
17                           **TION OF BIOFUELS CROPS.**

18       (a) REAUTHORIZATION.—Section 1231(a) of the  
19      Food Security Act of 1985 (16 U.S.C. 3831(a)) is amend-  
20      ed by striking “Through the 2007 calendar year” and in-  
21      serting the following:

22           “(1) PROGRAM REQUIRED.—Through the 2012  
23      calendar year”.

1 (b) MAXIMUM ENROLLMENT.—Section 1231(d) of  
2 the Food Security Act of 1985 (16 U.S.C. 3831(d)) is  
3 amended—

4 (1) by striking “39,200,000 acres” and insert-  
5 ing “40,000,000 acres”; and

6 (2) by striking by striking “2007” and insert-  
7 ing “2012”.

8 (c) PRIORITY FOR PROTECTION OF MOST ENVIRON-  
9 MENTALLY SENSITIVE ACRES.—Section 1231(a) of the  
10 Food Security Act of 1985 (16 U.S.C. 3831(a)), as  
11 amended by subsection (a), is amended by adding at the  
12 end the following new paragraph:

13 “(2) PRIORITY FOR PROTECTION OF MOST EN-  
14 VIRONMENTALLY SENSITIVE ACRES.—In applying  
15 subsection (b) and other provisions of this sub-  
16 chapter for the enrollment of land in the conserva-  
17 tion reserve program, the Secretary shall ensure  
18 that, as contracts expire and lands are taken out of  
19 the program, the lands are replaced with the most  
20 environmentally sensitive acres, so that the program  
21 continues to protect highly erodible lands while in-  
22 creasing the acreage outside of the program that is  
23 available for the production of crops to accommodate  
24 biofuel production.”.



1 **SECTION 7. TRANSITIONAL ASSISTANCE FOR FARMERS**  
2 **WHO PLANT DEDICATED ENERGY CROPS FOR**  
3 **A LOCAL CELLULOSIC REFINERY.**

4 (a) IN GENERAL.—The Secretary shall make transi-  
5 tional assistance payments to an agricultural producer  
6 during the 1st year in which the producer devotes land  
7 to the production of a qualified cellulosic crop.

8 (b) DEFINITIONS.—In this section:

9 (1) CELLULOSIC CROP.—The term “cellulosic  
10 crop” means a tree or grass that is grown specifi-  
11 cally to provide raw materials (feedstocks) for con-  
12 version to liquid transportation fuels or chemicals  
13 through biochemical or thermochemical processes, or  
14 for energy generation through combustion, pyrolysis,  
15 or co-firing.

16 (2) CELLULOSIC REFINER.—The term “cel-  
17 lulosic refiner” means the owner or operator of a  
18 cellulosic refinery.

19 (3) CELLULOSIC REFINERY.—The term “cel-  
20 lulosic refinery” means a refinery that processes a  
21 cellulosic crop.

22 (4) QUALIFIED CELLULOSIC CROP.—The term  
23 “qualified cellulosic crop” means, with respect to an  
24 agricultural producer, a cellulosic crop which is—

25 (A) the subject of a contract (or memo-  
26 randum of understanding) between the pro-

1           ducer and a cellulosic refiner, under which the  
2           producer is obligated to sell the crop to the re-  
3           finer at a certain date in the future; and

4                   (B) produced not more than 70 miles from  
5           a cellulosic refinery owned or operated by the  
6           refiner.

7           (5) SECRETARY.—The term “Secretary” means  
8           the Secretary of Agriculture.

9           (c) AMOUNT OF PAYMENT.—

10                   (1) DETERMINED BY FORMULA.—The Sec-  
11           retary shall devise a formula to be used to calculate  
12           the amounts of the payments to be made to an agri-  
13           cultural producer under this section, which shall be  
14           based on the opportunity costs incurred by the pro-  
15           ducer during the 1st year in which the producer de-  
16           votes land to the production of the qualified cel-  
17           lulosic crop, subject to paragraph (2) of this sub-  
18           section. The Secretary shall prescribe a standard to  
19           be used to determine opportunity costs using land  
20           rental rates and other costs determined by the Sec-  
21           retary.

22                   (2) LIMITATION.—The total of the amounts  
23           paid to a single producer under this section shall not  
24           exceed 25 percent of the funds made available under

1 subsection (e) for the fiscal year in which the  
2 amounts are so paid.

3 (d) REGULATIONS.—The Secretary shall prescribe  
4 such regulations as may be necessary to carry out this  
5 section.

6 (e) LIMITATIONS ON AUTHORIZATION OF APPRO-  
7 PRIATIONS.—

8 (1) IN GENERAL.—To carry out this section,  
9 there are authorized to be appropriated to the Sec-  
10 retary not more than \$4,088,000 for each of fiscal  
11 years 2008 through 2012.

12 (2) AVAILABILITY OF FUNDS.—The amounts  
13 made available under paragraph (1) are authorized  
14 to remain available until expended.

15 **SEC. 8. CREDIT FOR INSTALLATION OF WIND ENERGY**  
16 **PROPERTY INCLUDING BY RURAL HOME-**  
17 **OWNERS, FARMERS, RANCHERS, AND SMALL**  
18 **BUSINESSES.**

19 (a) IN GENERAL.—Subpart B of part IV of sub-  
20 chapter A of chapter 1 of the Internal Revenue Code of  
21 1986 is amended by adding at the end the following new  
22 section:

23 **“SEC. 30D. WIND ENERGY PROPERTY.**

24 “(a) ALLOWANCE OF CREDIT.—There shall be al-  
25 lowed as a credit against the tax imposed by this chapter

1 for the taxable year an amount equal to \$1,500 with re-  
2 spect to each half kilowatt of capacity of qualified wind  
3 energy property placed in service or installed by the tax-  
4 payer during such taxable year.

5 “(b) LIMITATION.—No credit shall be allowed under  
6 subsection (a) unless at least 50 percent of the energy pro-  
7 duced annually by the qualified wind energy property is  
8 consumed on the site on which the property is placed in  
9 service or installed.

10 “(c) QUALIFIED WIND ENERGY PROPERTY.—For  
11 purposes of this section, the term ‘qualified wind energy  
12 property’ means a wind turbine of 100 kilowatts of rated  
13 capacity or less if—

14 “(1) such turbine is placed in service or in-  
15 stalled on or in connection with property located in  
16 the United States,

17 “(2) in the case of an individual, the property  
18 on or in connection with which such turbine is in-  
19 stalled is a dwelling unit,

20 “(3) the original use of such turbine commences  
21 with the taxpayer, and

22 “(4) such turbine carries at least a 5-year lim-  
23 ited warranty covering defects in design, material, or  
24 workmanship, and, for property that is not installed

1 by the taxpayer, at least a 5-year limited warranty  
 2 covering defects in installation.

3 “(d) LIMITATION BASED ON AMOUNT OF TAX.—

4 “(1) IN GENERAL.—The credit allowed under  
 5 subsection (a) for any taxable year shall not exceed  
 6 the excess of—

7 “(A) the sum of the regular tax liability  
 8 (as defined in section 26(b)) plus the tax im-  
 9 posed by section 55, over

10 “(B) the sum of the credits allowable  
 11 under this part (other than under this section  
 12 and subpart C thereof, relating to refundable  
 13 credits) and section 1397E.

14 “(2) CARRYOVER OF UNUSED CREDIT.—If the  
 15 credit allowable under subsection (a) exceeds the  
 16 limitation imposed by paragraph (1) for such taxable  
 17 year, such excess shall be carried to the succeeding  
 18 taxable year and added to the credit allowable under  
 19 subsection (a) for such taxable year.

20 “(e) SPECIAL RULES.—For purposes of this sec-  
 21 tion—

22 “(1) TENANT-STOCKHOLDER IN COOPERATIVE  
 23 HOUSING CORPORATION.—In the case of an indi-  
 24 vidual who is a tenant-stockholder (as defined in sec-  
 25 tion 216(b)(2)) in a cooperative housing corporation

1 (as defined in section 216(b)(1)), such individual  
2 shall be treated as having paid his tenant-stock-  
3 holder's proportionate share (as defined in section  
4 216(b)(3)) of any expenditures paid or incurred for  
5 qualified wind energy property by such corporation,  
6 and such credit shall be allocated appropriately to  
7 such individual.

8 “(2) CONDOMINIUMS.—

9 “(A) IN GENERAL.—In the case of an indi-  
10 vidual who is a member of a condominium man-  
11 agement association with respect to a condo-  
12 minium which he owns, such individual shall be  
13 treated as having paid his proportionate share  
14 of expenditures paid or incurred for qualified  
15 wind energy property by such association, and  
16 such credit shall be allocated appropriately to  
17 such individual.

18 “(B) CONDOMINIUM MANAGEMENT ASSO-  
19 CIATION.—For purposes of this paragraph, the  
20 term ‘condominium management association’  
21 means an organization which meets the require-  
22 ments of section 528(c)(2) with respect to a  
23 condominium project of which substantially all  
24 of the units are used by individuals as dwelling  
25 units.

1       “(f) BASIS ADJUSTMENT.—For purposes of this sub-  
2 title, if a credit is allowed under this section for any ex-  
3 penditure with respect to a dwelling unit or other prop-  
4 erty, the increase in the basis of such dwelling unit or  
5 other property which would (but for this subsection) result  
6 from such expenditure shall be reduced by the amount of  
7 the credit so allowed.

8       “(g) APPLICATION OF CREDIT.—The credit allowed  
9 under this section shall apply to property placed in service  
10 or installed after December 31, 2006, and before January  
11 1, 2012.”.

12       (b) CONFORMING AMENDMENT.—Subsection (a) of  
13 section 1016 of the Internal Revenue Code of 1986 (relat-  
14 ing to general rule for adjustments to basis) is amended  
15 by striking “and” at the end of paragraph (36), by strik-  
16 ing the period at the end of paragraph (37) and inserting  
17 “, and”, and by adding at the end the following new para-  
18 graph:

19               “(38) in the case of a dwelling unit or other  
20 property with respect to which a credit was allowed  
21 under section 30D, to the extent provided in section  
22 30D(f).”.

23       (c) CLERICAL AMENDMENT.—The table of sections  
24 for subpart B of part IV of subchapter A of chapter 1  
25 of the Internal Revenue Code of 1986 is amended by in-

1   serting after the item relating to section 30C the following  
2   new item:

“Sec. 30D. Wind energy property.”.

3       (d) **EFFECTIVE DATE.**—The amendments made by  
4   this section shall apply to taxable years ending after De-  
5   cember 31, 2006.

6   **SEC. 9. MODIFICATION OF ACCOUNTING PRACTICES.**

7       Within 18 months after the date of enactment of this  
8   Act, the Securities and Exchange Commission shall revise  
9   the accounting practices to be followed in the preparation  
10   of accounts by persons engaged, in whole or in part, in  
11   the production of crude oil or natural gas in the United  
12   States that were developed pursuant to section 503 of the  
13   Energy Policy Conservation Act (42 U.S.C. 6383) to es-  
14   tablish a renewable reserves classification and disclosure  
15   system. Such classification and disclosure system shall  
16   treat contracted biomass crops for a cellulosic biorefinery  
17   as renewable reserves.

○